

UNDER SEAL

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

UNITED STATES OF AMERICA : CASE NO. 3:16-cr-44
 : Judge Walter H. Rice
v. : INDICTMENT
JAMES L. WRIGHT, : 26 U.S.C. § 7212(a)
 : 26 U.S.C. § 7206(1)
Defendant. : 26 U.S.C. § 7206(2)

THE GRAND JURY CHARGES THAT:

INTRODUCTION

At times material to this indictment:

1. JAMES L. WRIGHT resided in Germantown, Ohio, within the Southern District of Ohio.
2. WRIGHT holds a Bachelor of Science degree in business administration and accounting.
3. Between in or around 1994 and in or around 1998, WRIGHT was under criminal investigation by the Internal Revenue Service (IRS) for his use of trusts to hide income and assets from the IRS. WRIGHT pleaded guilty to tax evasion for this conduct on or about September 17, 1998. On or about July 30, 1999, WRIGHT was sentenced to five years of probation.
4. While he was under criminal investigation and serving his term of probation, WRIGHT formed and used entities to conceal income from the IRS.
5. WRIGHT controlled the financial and business operations of B&P Company,

FILED
RICHARD W. NAGEL
CLERK OF COURT
2016 MAR 22 PM 1:44
U.S. DISTRICT COURT
SOUTHERN DIST. OHIO
WESTERN DIV. DAYTON

Inc., located in Dayton, Ohio. B&P Company, Inc. was a fourth-generation family business owned by his mother. Since approximately 1889, when the company was founded by WRIGHT's great-grandmother, B&P Company, Inc. has manufactured and sold anti-aging skin care products, including a wrinkle reduction product called Frownies. On or about June 13, 1996, this business was incorporated under the name B&P Company, Inc.

6. On or about April 30, 1996, Wright Family Limited Partnership I was formed. WRIGHT was a partner in Wright Family Limited Partnership I. WRIGHT titled his personal residence and an automobile in the name of Wright Family Limited Partnership I.

7. On or about March 10, 1997, WRIGHT caused the incorporation of The Remnant, Inc. WRIGHT was the sole shareholder of The Remnant, Inc. Between in or around 1998 and in or around 2009, Defendant caused B&P Company to make payments to The Remnant, Inc.

8. On or about December 23, 2002, WRIGHT caused the formation of the Wright Family Foundation I. WRIGHT caused the name of this entity to be changed to Fore Fathers Foundation on or about June 20, 2003. WRIGHT served as the President of Fore Fathers Foundation. The foundation was funded by B&P Company, Inc. and Wright Family Limited Partnership I.

9. WRIGHT provided information and caused information to be provided to professional tax return preparers for the purpose of preparing tax returns for B&P Company, Inc., Wright Family Limited Partnership I, The Remnant, Inc., and Fore Fathers Foundation for filing with the IRS. For some years, WRIGHT used different professional tax return preparers to prepare the tax returns for each entity that he controlled.

10. WRIGHT self-prepared U.S. Individual Income Tax Returns, Forms 1040, for

filing with the IRS to report his personal income.

11. Beginning with at least the 2003 tax year, WRIGHT used the entities that he established and controlled to divert money from B&P Company, Inc. to his personal use and the use of his family members. WRIGHT filed and caused the filing of false tax returns in the names of B&P Company, Inc., The Remnant, Inc., and Fore Fathers Foundation that mischaracterized personal expenses as business expenses, understated income, and made false statements. WRIGHT also filed false individual income tax returns that underreported income.

COUNT ONE

(26 U.S.C. § 7212(a) – Corrupt Endeavor to Obstruct and Impede
the Due Administration of the Internal Revenue Laws)

12. Paragraphs 1 through 11 of this Indictment are realleged and reincorporated herein.

13. Beginning in or around 1997, and continuing thereafter up to and including on or about August 30, 2011, in the Southern District of Ohio and elsewhere, the defendant, JAMES L. WRIGHT, did corruptly endeavor to obstruct and impede the due administration of the internal revenue laws by the following means, among others:

- a. Forming and using entities to divert money from B&P Company, Inc. to his personal use and the use of his family members;
- b. Causing the preparation and filing with the IRS of materially false Forms 1120 in the name of B&P Company, Inc. that fraudulently claimed business deductions for personal expenses, including the apartment rent and utilities of family members;
- c. Causing the preparation and filing with the IRS of materially false Forms

1120S for The Remnant, Inc. that fraudulently claimed business deductions for personal expenses, including apartment rent for a family member and rent payments, utilities, and other expenses related to his personal residence;

d. Causing the preparation and filing with the IRS of materially false Forms 990-PF for Fore Fathers Foundation on which WRIGHT falsely stated that the foundation did not reimburse the expenses of disqualified persons during the tax year, when, in fact, WRIGHT directed funds from Fore Fathers Foundation to pay his children's private high school and college tuition;

e. Preparing and filing with the IRS false Forms 1040 for himself and his wife that underreported WRIGHT's income;

f. Providing false and incomplete information to the professional tax return preparers who prepared the tax returns for each of the entities that WRIGHT controlled and using different professional tax return preparers to prepare tax returns for each entity;

g. Titling real and personal property in the name of Wright Family Limited Partnership I to conceal these assets from the IRS;

h. Submitting documents to educational institutions that concealed his control of Fore Fathers Foundation and falsely characterized tuition payments for WRIGHT's children as scholarships;

i. Falsely stating to an IRS revenue agent that he had no prior dealings with the IRS, when in fact, the IRS had investigated WRIGHT for tax evasion and audited The Remnant, Inc.;

j. Making false statements to IRS revenue agents about the business use of his home.

All in violation of 26 U.S.C. § 7212(a).

COUNTS TWO AND THREE

(26 U.S.C. § 7206(2) – Aiding and Assisting in the Filing of False Returns)

14. Paragraphs 1 through 11 of this Indictment are realleged and reincorporated herein.

15. On or about the dates set forth below, in the Southern District of Ohio and elsewhere, the defendant, JAMES L. WRIGHT, did willfully aid and assist in, and procure, counsel, and advise the preparation and presentation to the Internal Revenue Service of U.S. Corporation Income Tax Returns, Forms 1120, in the name of B&P Company, Inc. for the tax years set forth below. The returns were false and fraudulent as to material matters, in that they represented that B&P Company, Inc. was entitled under the provisions of the internal revenue laws to claim deductions for the items set forth below, whereas, as the defendant then and there knew, B&P Company, Inc. was not entitled to claim those deductions in the amounts set forth on the returns.

Count	Tax Year	Approximate Date of Filing	False Items
TWO	2008	October 12, 2010	Line 16 – Rent Line 26 – Other deductions
THREE	2009	October 8, 2010	Line 16 – Rent Line 26 – Other deductions

All in violation of 26 U.S.C. § 7206(2).

COUNTS FOUR AND FIVE

(26 U.S.C. § 7206(1) – Filing False Tax Returns)

16. Paragraphs 1 through 11 of this Indictment are realleged and reincorporated herein.

17. On or about the dates set forth below, in the Southern District of Ohio and elsewhere, the defendant, JAMES L. WRIGHT, did willfully make and subscribe Tax Returns of Private Foundation, Forms 990-PF, in the name of Fore Fathers Foundation, for the tax years set forth below, which were verified by written declarations that they were made under the penalties of perjury and which he did not believe to be true and correct as to every material matter. On these income tax returns, which were filed with the Internal Revenue Service on or about the dates set forth below, WRIGHT responded “No” in response to Part VII-B, line 1a(4), which asks whether the foundation, among other things, “reimburse[d] the expenses of, a disqualified person,” whereas, as he then and there well knew, the foundation had reimbursed the expenses of a disqualified person during the tax year, to wit: the educational expenses of family members.

Count	Tax Year	Approximate Date of Filing
FOUR	2008	August 14, 2009
FIVE	2009	August 17, 2010

All in violation of 26 U.S.C. § 7206(1).

COUNTS SIX THROUGH EIGHT

(26 U.S.C. § 7206(1) – Filing False Tax Returns)

18. Paragraphs 1 through 11 of this Indictment are realleged and reincorporated herein.

19. On or about the dates set forth below, in the Southern District of Ohio and elsewhere, the defendant, JAMES L. WRIGHT, did willfully make and subscribe joint U.S Individual Income Tax Returns, Forms 1040, for the tax years set forth below, which were verified by written declarations that they were made under the penalties of perjury and which he did not believe to be true and correct as to every material matter. On those income tax returns which were filed with the Internal Revenue Service on or about the dates set forth below, WRIGHT reported income amounts on the lines set forth below, whereas, as he then and there well knew, he had income in excess of the amounts reported on the returns.

Count	Tax Year	Approximate Date of Filing	False Item(s)
SIX	2008	April 25, 2010	Line 21 – Other Income Schedule E, Line 28(h) – Nonpassive loss from Schedule K-1
SEVEN	2009	August 30, 2011	Line 21 – Other Income Schedule E, Line 28(h) – Nonpassive loss from Schedule K-1
EIGHT	2010	August 30, 2011	Schedule E, Line 28(h) – Nonpassive loss from Schedule K-1


All in violation of 26 U.S.C. § 7206(1).

A TRUE BILL

151

FOREPERSON

BENJAMIN C. GLASSMAN
Acting United States Attorney



LAURA I. CLEMMENS
Dayton Branch Chief